

SUBCOMMITTEE NO. 4

Agenda

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Room 3191

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Court Appointed Receiver for Medical Care

Background. In April 2001, *Plata v. Davis* was filed in federal court contending that the California Department of Corrections and Rehabilitation (CDCR) was in violation of the Eighth (prohibits cruel and unusual punishment) and Fourteenth (right to due process and equal protection) Amendments to the United States Constitution by providing inadequate medical care to prison inmates.

In January 2002, the state entered into a settlement agreement, committing to significant changes in the delivery of health care services to inmates. Generally, the settlement agreement focused on improving inmate access to health care, as well as the quality of health care services provided in the prisons. Under the agreement, independent court-appointed medical experts monitored the implementation of the agreement, and periodically reported to the court on the state's progress in complying with the agreement.

In September 2004, the federal court issued an order finding significant deficiencies in the department's efforts to implement the terms of the settlement agreement and, in June 2005, the federal court decided to appoint a Receiver to manage CDCR's health care system. The Receiver would manage CDCR's health care system until the department proves to the court that it is capable and willing to manage a constitutional health care system or contract out for a similar level of care. The court appointed Robert Sillen as the Receiver in February 2006. Robert Sillen was replaced as the Receiver by the court in January of this year by J. Clark Kelso.

Previous Subcommittee Hearing. This Subcommittee heard testimony from the court-appointed Receiver at its April 14 hearing related to the Receiver's plans to build health care and health-care related facilities.

At this hearing the Subcommittee also heard a short overview of the new Receiver's draft strategic plan that was released for public comment on March 11, 2008. According to the plan, the overall mission of the Receivership is to reduce unnecessary morbidity and mortality and protect public health by providing patient-inmates timely access to safe, effective, and efficient medical care, and coordinate the delivery of medical care with mental health, dental, and disability programs.

Since that time the Receiver has amended his plan and a new draft strategic plan (2.0) was submitted to the court on April 21, 2008. The five strategic goals identified in the draft strategic plan remain the same. The plan also includes associated objectives and action items that describe the steps to bring CDCR's health care program to constitutionally acceptable and sustainable levels. The five strategic goals are as follows:

1. Ensure timely access to care;
2. Improve the medical program;
3. Strengthen the health care workforce;
4. Establish medical support infrastructure; and
5. Build health care and health care-related facilities.

The Receiver notes that several of these goals encompass virtually all aspects of CDCR's health care delivery system and the Receiver has indicated that he is actively coordinating planning and implementation with CDCR's mental, dental, and disability accessibility programs.

Health Care Budget—Support

Background. In order to support the reform initiatives spearheaded by the Receiver, the Plata Support Division was created. This Division is made up of CDCR employees who provide health care administrative and business services support to the Receiver's reform initiatives. This support division is separate from CDCR's support services and develops budget proposals separate from CDCR's budget development process.

Previous Expenditures. The state started expending funding related to the *Plata* lawsuit in 2002-03. Since then, the state has allocated nearly \$590 million to improve medical care within CDCR. This has included expenditures directed by the department and since 2005 expenditures directed by the court-appointed Receiver. An unallocated appropriation was included in both the 2006 and 2007 Budget Acts for the purpose of funding the reform efforts of the Receiver. Budget bill language was included in the 2007 Budget Act that also allowed the Receiver to direct these expenditures for coordinated activities of the Receiver and the *Coleman* and *Perez* class action lawsuits (mental health and dental, respectively).

Current Year Funding. The 2007-08 Budget Act included \$125 million General Fund in an unallocated account to be directed by the Receiver. The Receiver has directed the expenditure of \$91 million thus far in the current year. The funding has been allocated to the following priorities:

- Health Care Access Units - \$24.9 million to add additional custody staff to implement health care access teams and augment medical guarding and transportation.
- Receivership Administration - \$41 million to support administration of the Receivership, including various initiatives.
- Salary Increases - \$17.5 million for salary increases for physicians and licensed vocational nurses.
- Health Records and Other Augmentations - \$5 million to establish a third-watch program for medical records and various other staffing augmentations to improve recruitment of medical staff and improve medical delivery.
- Medical Oversight Program - \$2.1 million to establish a pilot Medical Oversight Program. The initial focus of this program will be to review death related cases.

There is approximately \$34 million remaining in the unallocated account included in the 2007 Budget Act to fund the Receiver's directives.

A Finance Letter (dated April 17, 2008) requests additional funding in the current year of \$129 million. The Administration proposes to fund this request pursuant to Provision 6 of Item 9840 in the 2007 Budget Act. This funding is to cover increased costs associated with medical guarding and transportation (\$82.9 million) and for additional pharmaceuticals and medical supplies (\$45.8 million). The details related to these additional costs are summarized below and

described in more detail in the respective items below. Funding to support this request will have to be appropriated by the Legislature in a supplemental appropriations bill.

Proposed Funding for the Receiver						
Funding	2007-08			2008-09		
	Jan 10 Budget	April Letter	Total	Jan 10 Budget	April Letter	Total
Health Care Access Units	\$0	\$0	\$0	\$30,244	\$79,776	\$110,020
Medical Guarding	0	82,869	82,869	15,501	73,818	89,319
Pharmaceutical and Medical Supplies	0	45,838	45,838	0	45,838	45,838
Medical Care Appeals Unit	0	0	0	1,600	0	1,600
Centralized Pharmacy	0	0	0	0	10,105	10,105
Medical Oversight Program	0	0	0	0	2,343	2,343
California Prison Health Care Receivership Corp.	0	0	0	26,000	0	26,000
Total	\$0	\$128,707	\$128,707	\$73,345	\$211,880	\$285,225

Governor's Budget Summary. The Administration has proposed to eliminate the unallocated account provided to the Receiver in the past two budget years and instead has attempted to put forward a budget for the Receiver that is based on a more traditional budget change proposal approach. The LAO finds that this action aligns the budget for the Receivership with the state's budget process.

The additional funding proposed by the Receiver and requested by the Administration is summarized in the chart above. These items are discussed in more detail below. Overall, the funding in the budget under the Receiver's authority is proposed to grow from \$1.6 billion in the current year to \$1.8 billion in the budget year, including the funding contained in the Finance Letter. This is an increase of \$151 million or 10 percent. This funding does not include funding for the various capital outlay projects proposed and directed by the Receiver.

The Receiver indicates that he is working on several other health care initiatives that may require additional funding in the budget year.

Impact of Population Reduction Proposals. The Governor has proposed two population reduction proposals that taken together would reduce the state prison population by approximately 35,000 inmates. These proposals would reduce the overall expenditures needed by the Receiver. However, the Administration has indicated that the Receiver's budget proposals have not been adjusted to account for the budget proposals put forward to reduce the

prison population. The LAO finds that these proposals should be reduced if the Legislature takes action to reduce the inmate population.

1. Health Care Access Units

Background. The Receivership started a pilot program at San Quentin State Prison in 2006 to assess the custody-related problems with the delivery of medical services. During the implementation of this pilot the Receiver found that there was a shortage of custody personnel to escort and transport inmates to medical appointments. The Receiver also found that the institution lacked an organized operational schedule of daily activities that integrated institution security operations with access to care requirements. This resulted in many missed appointments, significant scheduling workload, and increased backlogs of appointments. Furthermore, the Receiver also found that appropriate transportation vehicles were often not available and no formal medical emergency response procedures were in place.

To address these concerns the Receiver established Health Care Access Units. These units are designed to be accountable for escorting, transporting, and guarding inmates to and from medical appointments within the institution and to specialty care providers within the local community. In June 2007 all existing custody personnel involved in health care access were assigned to the new Health Care Access Units. However, the Receiver found significant additional staffing was needed to ensure adequate access to health care.

In addition to the pilot project at San Quentin, a full review of the custody staffing needed to provide an adequate level of health care access has also been conducted at the California Medical Facility and Avenal State Prison. The Receivership refers to these full scale custody reviews as Track 1. However, given the time it takes to conduct these reviews it has also embarked on a Track 2, which entails a preliminary review of custody staffing needs. The Receivership has completed preliminary reviews of custody staffing at all institutions except four.

The Receivership indicates that it plans to continue on Track 1 to determine the specific custody needs of each institution and will adjust the custody resources needed after each of these institution's reviews are completed. The Receivership also indicates that as the consolidated care centers are built the mission and populations at each institution will change and further adjustments will be needed related to the custody staffing.

Governor's Budget and Finance Letter. The Governor's budget proposal and Finance Letter (dated April 4, 2008) includes \$110 million for health care access units at all *Plata* institutions (*Plata* institutions are all adult institutions except for Pelican Bay State Prison). This funding will support 1,333 positions (mainly custody positions) to augment the positions in the Health Care Access Units to ensure that inmates are escorted to appointments within the institution. (For simplicity, the Administration and the Receiver's office has split the custody resources needed to access care in the institution from the custody resources needed to access health care outside of the institutions. The former is referred to as the funding for Health Care Access Units and the latter is referred to as medical guarding and transportation.)

The vast majority of the proposed positions (1,273 positions) are for various custody classifications to assist in providing the custody escorts within the institution to provide access to care. The proposal also allocates 30 Associate Government Program Analysts and 30 Office Technicians in order to provide each *Plata* institution (except San Quentin, California Medical Facility and Pelican Bay State Prison) with an analyst and an office support position. These non-custody staff will help to perform the clerical duties associated with scheduling and coordinating the escort staff and transportation. Currently, custody personnel are being redirected to perform these duties.

Staff Comments. Staff finds that the Receiver is in the midst of a major effort to assess the custody staffing needed at each institution to ensure health care access. This is a much more detailed effort than previous efforts by the department that have only assigned additional custody staff based on population-driven fixed ratios. Staff finds that this level of review is needed and has been discussed as part of the department's efforts to reform its population estimate process.

Nevertheless, staff finds that the review currently being conducted, and the resulting staffing, will need to be adjusted again as the consolidated care centers are activated. Currently, the department's most medically needy inmates are located throughout the state prison system and under the Receiver's consolidated care model these inmates will be transferred to six consolidated care centers. This will impact the staffing needed at each institution. However, staff understands that a certain level of increased staffing for the health care access units will likely remain even after the consolidated care centers are constructed.

The LAO finds that there is considerable uncertainty related to the department's ability to fill all of the positions it is proposing to establish in the current year and the budget year. The Receivership has indicated that some of these positions may be filled with overtime. However, they also indicate that they have already made significant progress in filling many of the Health Care Access Unit positions established in the current year and have developed plans to fill these positions with each of the institutions. Nevertheless, the LAO finds that given the uncertainty and relative magnitude of the task of filling these positions that the funding for this effort be tracked separately in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal and Finance Letter proposal.
- Approve budget bill language to track these expenditures separately to ensure that unspent funds revert to the General Fund.

2. Health Care Guarding and Transportation

Background. As referenced above under the discussion of Health Care Access Units, the Receiver is conducting a review of the custody resources needed to support providing CDCR inmates with increased access to health care. This includes medical guarding and transportation to routine clinical care, specialty care, and other appointments outside of the institution, as well as outside hospital care and other acute care as needed.

Current Year Funding. A Finance Letter (dated April 17, 2008) requests \$83 million in the current year to cover the overtime costs associated with medical guarding and transportation the Receiver expects to incur in the current fiscal year. The Administration proposes to fund this request pursuant to Provision 6 of Item 9840 in the 2007 Budget Act.

Governor's Budget and Finance Letter. The Governor's budget and Finance Letter (dated April 4, 2008) includes \$89.3 million to augment the department's resources for medical guarding and transportation in the budget year.

The funding requested for the budget year will be to establish 795 positions in the budget year and provide at least \$37 million to cover overtime expenditures. The Receiver proposes to hire additional staff in 2009-10 and further reduce the reliance on overtime expenditures to cover these costs.

Staff Comments. Staff finds that health care guarding and transportation outside of the institution is very costly. For example, one inmate in a community hospital can require two custody staff to guard the inmate 24-hours a day. The Receiver indicates that these costs can be reduced considerably if a hospital has a secure hospital wing or secure rooms dedicated to in-custody patients. Currently, there are only limited hospitals with these facilities. The Receiver indicates that it is currently working with community hospitals to contract for dedicated in-custody wings or rooms in the hospital in order to reduce the medical guarding and transportation costs. The Receiver indicates that it is concentrating its efforts with regional hospitals that are in the proximity of where the Receiver plans to construct the six consolidated care centers.

Furthermore, the funding needed at each institution to support medical guarding and transportation is expected to change considerably once the consolidated care centers are constructed and the most medically needy population is moved to these centers. Staff finds that the overall medical guarding and transportation expenditures would be expected to decline at many institutions under this scenario.

The LAO has concerns similar to those raised regarding the funding to support the Health Care Access Units. It is unclear whether the department can adequately fill these positions and there is some concern that these funds will not be expended in the budget year. Given this, the LAO recommends that the funding allocated for this effort be tracked separately in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal and Finance Letter proposal.
- Approve budget bill language to track these expenditures separately to ensure that unspent funds revert to the General Fund.

3. Pharmacy Operations

Background. One of the major projects implemented under the last Receiver was to overhaul CDCR's pharmacy operations. The Receiver adopted a Roadmap for improving pharmacy services. The Roadmap includes the following seven goals:

- Develop meaningful and effective centralized oversight, control, and monitoring over the pharmacy services program.
- Implement and enforce clinical pharmacy management processes including formulary controls, Pharmacy and Therapeutics committee, disease management guidelines, and the establishment of a program of regular prison institution operational audits.
- Establish a comprehensive program to review, audit, and monitor pharmaceutical contracting and procurement processes to ensure cost efficiency in pharmaceutical purchases.
- Develop a meaningful pharmacy human resource program that effectively manages staffing, compensation, job descriptions, competency, performance assessment, discipline, training, and use of the workforce including temporary employees and non-pharmacist staff.
- Redesign and standardize overall institution level pharmacy drug distribution operations for inpatient and outpatient needs. Design, construct, and operate a centralized pharmacy facility.
- Based on a thorough understanding of redesigned work processes, design and implement a uniform pharmacy information management system needed to successfully operate and maintain the CDCR pharmacy operation in a safe, effective, and cost efficient way.
- Develop a process to assure CDCR pharmacy meets accreditation standards of the designated healthcare review body and assist in obtaining accredited status.

The Receivership contracted with Maxor to help the Receivership reengineer the department's current decentralized pharmacy system into a more centralized pharmacy operation. In January 2007, Maxor started oversight of pharmacy operations for CDCR. Historically, CDCR used the Department of General Services for purchasing and pharmacy operations at each institution operated semi-autonomously. Maxor, in conjunction with the Receiver, is working to completely change this system to make it more centralized, uniform, and efficient.

In order to move to a more centralized system, the Receivership is currently developing a Request for Proposal for the operation of a central fill pharmacy. The Receivership is currently looking for a site in Sacramento for this facility. This facility will receive and manage the distribution of pharmaceuticals to each institution. This will enable the department to better manage its pharmaceutical inventory and enable pharmacy personnel in the institutions to focus more on medication management and less on managing pharmaceutical inventory.

The Receivership and Maxor are also in the process of implementing a new automated pharmacy information technology system called Guardian Rx. This window-based, networked system integrates dispensing, pharmacy management, work flow, and patient care. The system is capable of using bar-code technology for Rx scanning and verification and also has the capability of developing a unique electronic medication administration record for each inmate.

The Receivership indicates that to date it has implemented Guardian Rx at four prisons, but because of connectivity issues at each of the prisons the implementation of this tool has been delayed. Nevertheless, the Receivership indicates that it is continuing to make progress in implementing the Guardian Rx system and upgrading the networking and fiber optic systems at each institution.

The Receivership is coordinating its efforts to improve pharmacy operations with the *Coleman* and *Perez* lawsuits related to mental health and dental, respectively.

Current Year Funding. A Finance Letter (dated April 17, 2008) requests \$45.6 million in the current year to cover pharmaceutical and medical supply expenditures the Receiver expects to incur in the current fiscal year. The Administration proposes to fund this request pursuant to Provision 6 of Item 9840 in the 2007 Budget Act.

Finance Letter. A Finance Letter (dated April 4, 2008) includes the following two budget proposals related to pharmacy operations and pharmaceutical supplies:

- **Centralized Pharmacy.** \$10.1 million to support the operating expenditures and start-up expenditures for a new central fill pharmacy in Sacramento. The funding request includes \$6.6 million for one-time and capital expenditures needed to set up the new facility in a leased space. The funding request also includes \$3.5 million to support operations of the facility. The Receivership indicates that it is currently developing a Request for Proposal to manage the central fill pharmacy. However, the Receivership also indicates that some CDCR staff will be needed to oversee operations of this facility and would be redirected internally to the central fill pharmacy.
- **Pharmaceutical and Medical Supplies.** \$45.8 million to augment the budget for pharmaceutical and medical supplies to cover all of the pharmaceutical and medical supplies needed because the current base budget for these supplies is inadequate. The Receivership has requested this increased amount for a three-year limited term starting in the current year until the centralized system is fully operational. Once the new centralized system is operational, the Receivership indicates that it will reevaluate its needs for pharmaceuticals and other medical supplies. The Receivership expects that once the centralized system is implemented, bulk purchasing and greater inventory control will enable these costs to be reduced.

Staff Comments. Staff finds that the development of a more centralized pharmacy operation should increase the efficiency of the system that could result in substantial savings to the state. Furthermore, the implementation of an information technology system that can track inmate prescription information will improve the department's ability to oversee medication management. This is a critical component to improving medical care and mental health care.

The Receivership has indicated to staff that there may be some delays in leasing a space for the new central fill pharmacy. Given these delays, there may be some savings in operational expenditures in the budget year.

The Receivership indicates that expenditures on pharmaceuticals and medical supplies in 2006-07 increased by over 20 percent over the prior year expenditures. The Receivership estimated that this left the department with a shortfall of nearly \$33 million in 2006-07. The Receivership is estimating that expenditures on pharmaceuticals and medical supplies may increase by around 7 percent in the current fiscal year. The funding proposed will cover this shortfall and the moderate expected growth.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold open funding for the centralized pharmacy and request the Receiver to provide an update on the operational expenditures needed in the budget year given the delay in implementing the centralized pharmacy.
- Approve the increased funding for pharmaceutical and medical supplies.

4. Medical Oversight Program

Background. The Receiver started the implementation of a pilot Medical Oversight Program in the current year by transferring \$2.1 million from the unallocated account provided for Receiver-directed expenditures included in the 2007 Budget Act. The Legislature was notified of this transfer in a Finance Letter (dated January 7, 2008).

The initial focus of this program will be to review death related cases with the overall goal of maximizing the effectiveness of the investigation and prosecution process for medical staff. The funds were used to establish 23 new positions in four different units to implement this program. The responsibilities of the four units are described below:

- Medical Central Intake Unit – This unit will be staffed with medical experts from the Plata Support Division, Special Agent Investigators from the Office of Internal Affairs, Vertical Advocates from the Employment Advocacy and Prosecution Team, and Inspector Generals from the Office of the Inspector General. This team will utilize a multi-disciplinary approach to determine whether or not an investigation is warranted.
- Medical Investigations Unit – This unit will be established within the Office of Internal Affairs and will consist of investigators and medical experts from the Plata Support Division that will perform expedited investigations of misconduct of CDCR health care staff on unexpected deaths that the Medical Central Intake Unit refers for investigation.
- Medical Advocacy Unit – This unit will be established as part of the department’s Employment Advocacy and Prosecution Team and will be responsible for performing expedited disciplinary actions if warranted.
- Medical Monitoring Team – This team will be established within the Office of the Inspector General and will conduct independent oversight of the units using the same model the Inspector General currently uses to investigate disciplinary matters pursuant to the *Madrid* lawsuit.

This effort will be a collaboration among the Plata Support Division, the CDCR’s Office of Internal Affairs, CDCR’s Office of Legal Affairs, and the Office of the Inspector General.

Finance Letter. A Finance Letter (dated April 4, 2008) proposes \$2.3 million in the budget year, which is the full-year cost of implementing the new medical oversight program. This amount does not include the \$878,000 allocated to the Office of the Inspector General (OIG). The funding for the OIG was approved at the April 10 meeting of this Subcommittee.

Staff Comments. Staff finds that the mission of the Receivership is to “Reduce avoidable morbidity and mortality and protect public health by providing patient-inmates timely access to safe, effective, and efficient medical care...”. One of the factors in achieving this mission is to

ensure that CDCR clinical and contract staff are providing high quality medical care to the inmates. The department already oversees the conduct of custody staff and other staff. This oversight program would extend this oversight to the department's clinical staff.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter request.

5. Health Care Appeals Unit

Background. The purpose of the inmate appeals process is to provide resolution of inmate grievances in a timely manner and at the lowest possible level. The process directs inmate complaints through one informal and two formal levels of appeal at the institution and a final third level known as the Third Level of Review (formerly the Director's Level of Review). The Inmate Appeals Branch is currently responsible for the oversight of all of CDCR's inmate appeals, including appeals related to health care.

Governor's Budget. The Governor's budget proposes \$1.6 million to establish a new Office of Third Level Health Care Appeals under the direction of the Receiver. The new office will handle all appeals related to health care, including mental health and dental. These funds will be used to establish 17 positions, including nine clinical staff to review the inmate appeals related to health care.

The Administration does not propose a corresponding reduction to the Inmate Appeals Branch because the Administration finds that the current inmate appeals process is overburdened and was never adequately staffed to handle health care grievances.

Staff Comments. The Receivership estimates that health care grievances are 25 percent of all grievances. Health care grievances have increased by over 60 percent over the past four years. The Receiver indicates that there are many explanations for the increased grievances, including the overall awareness the inmate population has of the Receivership and various changes implemented by the Receiver.

Staff finds that the inmate appeals process provides unique inmate perspective on institutional health care operations in the prisons. Better tracking and reviewing of the inmate appeals related to health care will enable the department to identify and report problems in the health care system.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

6. California Prison Health Care Receivership Corp.

Background. The California Prison Health Care Receivership Corp. is a non-profit organization created to house the activities of the federal Receiver over California's prison medical care. The Receivership was established by the federal court and its operations are funded by the General

Fund. Over the past year the budget for the Receivership has been funded from the unallocated account included in the 2007 Budget Act for expenditure by the Receiver.

Current Year Funding. In the current year the Receiver has transferred \$41 million from the unallocated account included in the 2007 Budget Act to support the Receivership.

Governor's Budget. The Governor's budget proposes \$26 million in a separate budget item to support the direct expenditures of the California Prison Health Care Receivership Corp.

Inspector General Audit. The federal court that created the Receivership directed the Receiver to coordinate with the Office of the Inspector General (OIG) to periodically review the expenditures of the Receiver. The OIG released its first review of the Receiver's expenditures in February 2008.

The first review by the OIG found that the Receivership's largest expense category was personnel services, comprising of the Receivership's employees and consultants. The Receivership also spent more than \$8.7 million on capital asset purchases made on behalf of CDCR. All of the expenditures detailed in the OIG's report are summarized in the table below:

Summary of Receivership Expenditures, April 2006 through June 2007		
Expenditure	Amount	Percentage
Capital Assets	\$8,719	42%
Professional Fees	4,892	24
Employee Compensation	4,889	24
Employee Benefits	1,023	5
Other Expenditures	743	4
Travel	353	2
Total	\$20,619	100%

The report found that when the Receivership was first established some employees were paid in lieu of benefits. The OIG identified \$611,000 that was expended for this purpose, including \$219,000 that was paid after the Receivership began to provide benefits. This practice was ended by the federal court in October 2007.

The report also identified 12 employees that had a projected annual salary that exceeded \$225,000. The report also identified that most of the professional fees (\$2.8 million) were paid to Maxor that is providing the Receivership with pharmacy management consulting services. The report identified that the Receivership had failed to require staff members to provide proper support before paying \$10,500 in travel expenditures. Furthermore, the department seemed to have inconsistent policies for treating the travel and per diem for consultants.

The OIG recommended that the Receiver take the following actions to ensure that it safeguards public resources:

- Ensure that the level of compensation paid to employees is an appropriate use of funds and regularly reevaluate salary and wage packages it provides its staff members.
- Ensure employees and contractors properly support all travel expense claims with original receipts and invoices and include descriptions of the business purpose.
- Ensure that employees properly support charges appearing on corporate credit card accounts before paying the bill.

Response from Current Receiver. The new Receiver agrees with the OIG's recommendations and has agreed to implement the recommendations as the Receivership proceeds with its activities. Since the new Receivership was appointed it has closed its offices in San Jose and several of the highest paid executives at the Receivership have been separated from the Receivership Corp. The Receiver estimates that these changes will reduce annual operating expenditures by approximately \$4 million.

The Receiver also indicated that the cash in lieu of benefits payments have ceased and the numbers of employees with salaries that exceed \$225,000 have been reduced to eight employees, including seven executive medical professionals and one executive manager.

Staff Comments. Staff finds that no details have been provided related to how the Receivership plans to expend the \$26 million allocated to support its operations. The Receivership indicated that it would provide staff with additional information on its updated expenditures, but no information has been received.

Furthermore, staff finds that the OIG report identified that the Receivership had carried a significant reserve (nearly \$16 million). It is unclear whether the Receivership continues to carry a reserve of this size. The Receivership indicates that it needs some level of reserve to cover expenditures that cross fiscal years in the event that the budget is not passed on time.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open pending additional information on the proposed budget for the Receivership.

5225 California Department of Corrections and Rehabilitation

Division of Correctional Health Care Services

1. *Coleman* Mental Health Staffing

Background. In June 1991, *Coleman v. Wilson* was filed in federal court contending that CDCR was in violation of the Eighth (prohibits cruel and unusual punishment) and Fourteenth (right to due process and equal protection) Amendments to the United States Constitution by providing inadequate mental health care to prison inmates. *Coleman v. Wilson* alleged that the department's mental health care system was inadequate in several areas, including intake screening, access to care, treatment, and record-keeping.

As a result, in 1994, the Federal Court ordered the department to develop a remedial plan to correct these deficiencies. The plan developed by the department is referred to as the Mental Health Services Delivery System (MHSDS). The intent of the MHSDS is to provide timely, cost-effective mental health services that optimize the level of individual functioning of seriously mentally disabled inmates and parolees in the least restrictive environment. At this time, the court also appointed a Special Master to oversee the implementation of the plan. The current Special Master is Mathew Lopes.

In 1997, CDCR issued a preliminary version of the MHSDS Program Guide, which established preliminary policies and procedures to provide constitutionally adequate mental health services at all CDCR institutions. This Program Guide has been amended several times since 1997 under directives by the federal court.

Chapter 511, Statutes of 2006 (SB 1134, Budget) was enacted to appropriate \$35.5 million to establish 552 positions to implement the MHSDS Revised Program Guide. This legislation required that the department conduct a workload study to determine the staffing requirements necessary to implement the MHSDS Revised Program Guide. The findings and recommendations of this study were supposed to be incorporated into the 2007 Budget Act, but because of delays the study and department review was not completed until December 2007.

The court has found that successful implementation of the MHSDS Program Guide will require capital improvements at many institutions. The department is currently pursuing several capital outlay projects and 5,000 additional mental health beds are being pursued as part of the Receiver's Consolidated Care Centers. The Consolidated Care Centers were discussed at the April 14 meeting of this Subcommittee and additional information is contained in the agenda regarding the other *Coleman* capital outlay projects being pursued.

Previous Funding for Coleman Lawsuit Compliance. To date, the Legislature has provided approximately \$249 million General Fund to implement efforts to strengthen the department's mental health services and comply with the *Coleman* lawsuit.

Finance Letter. A Finance Letter (dated April 1, 2008) proposes establishing 408 positions (mainly clinical) to provide staffing needed to implement the MHSDS Revised Program Guide. The workload study completed in June 2007 identified a revised mix of positions to fully implement the Revised Program Guide including establishing these additional positions. The budget proposal does not include additional funding required to support these positions given the significant number of vacancies the department has in these position classifications.

Population Estimate Relationship. The department has indicated that the workload study will replace the need for clinical staff added through the Prevalence Mix calculation that is part of the population estimate. This study is based on an actual clinical workload analysis and is for the mental health program, as opposed to the Prevalence Mix which is based on fixed ratios. The department indicates that the positions required by the workload study will be adjusted based on changes in the population. However, the department has not made any population adjustments in the budget year because the department only proposes funding a portion of the positions given the department's challenges in filling these positions in the budget year.

Staff Comments. Staff finds that the workload study has identified the need for over 3,000 positions (mainly clinical) to implement the Revised Program Guide. Given the overall shortage of mental health clinicians in the state it will be difficult for the department to hire all of the positions without significant recruitment efforts and pipeline development efforts. Even with these efforts the department will not likely be able to hire all of these positions for several years. Furthermore, recruitment by CDCR may adversely impact other state departments like the Department of Mental Health and local agencies that also have a demand for clinical staff.

Staff finds that CDCR is currently pursuing adding a state classification for licensed Marriage and Family Therapists (MFTs). The department is pursuing an additional classification of persons that it can hire as case managers given the overall shortage of all licensed clinicians, especially psychologists.

The Department of Mental Health currently delivers some limited clinical services and acute care in CDCR facilities. At the April 14 meeting of this Subcommittee there was some discussion about the overall public policy concerns with creating a second large mental health system in the state especially given the relatively limited pool of mental health clinicians. The Receiver over medical care testified that the Department of Mental Health had asked to be removed from CDCR institutions, but that subsequent discussions had taken place given the Receiver's new plans to build separate stand-alone medical and mental health facilities for CDCR inmates. Staff finds that the Department of Mental Health has a core competency in providing mental health acute care. Staff finds that the state may get better treatment outcomes if the Department of Mental Health had a larger role in delivering acute care to patients within CDCR facilities.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Hold this issue open.

2. Relocation of Division of Correctional Health Care Services

Background. The department's Division of Correctional Health Care Services has been physically located at 501 J Street in Sacramento. The Plata Support Division under the direction of the court-appointed Receiver over medical care is also located at this facility. The Plata Support Division has grown considerably over the past year and is expected to continue to grow as it expands its Telemedicine program and starts to plan for the construction and operation of six new facilities and 10,000 specialized medical and mental health beds.

The growth in the Plata Support Division has already resulted in the Mental Health Program moving to another facility in the Natomas area of Sacramento. The department indicates that the Mental Health Program and Dental Health Program also have grown considerably given various court-directives and can no longer be accommodated in the 501 J Street facility or in the other facility located in the Natomas area of Sacramento. Furthermore, the department indicates that the decentralization of the Division of Correctional Health Care Services does not foster administrative coordination and decision making between the programs.

Governor's Budget. The Governor's budget proposes \$2.6 million for ongoing lease costs associated with a new facility in the Sacramento area for the Division of Correctional Health Care Services. The budget proposal also includes \$2.4 million in one-time funding for the purchase of modular furniture and other tenant improvements needed to make a new leased space usable for the division.

Staff Comments. Staff finds that the Division of Correctional Health Care Services continues to have significant challenges in implementing and managing various initiatives to improve mental health care and dental health care. Staff finds that centralizing the staffing responsible for these efforts would help to facilitate the coordination needed to implement the mission of the Division and coordinate with the Plata Support Division and the court-appointed Receiver over correctional medical care.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

3. Inmate Dental Services Program

Background. In December 2005, *Perez v. Hickman* was filed in federal court contending that CDCR was in violation of the Eighth amendment of the United States Constitution by providing inadequate dental care to prison inmates. Some specific examples of key issues raised in the *Perez* class-action lawsuit include: (1) inadequate numbers of dentists and dental assistants; (2) lack of proper training and supervision of staff; (3) insufficient dental equipment such as examination chairs and x-ray machines; (4) poorly organized inmate dental records; and (5) unreasonably long delays for inmates to receive dental treatment, including prisoners with dental emergencies.

The lawsuit was filed concurrently with a settlement agreement reached between the state and the plaintiffs. The agreement committed the state to implement significant changes in the delivery of dental care services to inmates. The agreement requires the department to implement a number of newly developed policies and procedures at all 33 state prisons over a six-year period, beginning with 14 prisons in July 2006. The agreement focuses on improving inmate access to dental care, as well as the quality of dental care services provided in the prisons. For example, the policies and procedures require the department to treat inmates within specified time frames according to the severity of the dental problem and set standards of care that prison dental staff must provide.

In August 2006, the federal court issued a revised order that, among other things, required a lower dental staff to inmate ratio (515 inmates:1 dentist). The order also directed the department to prepare a revised implementation plan for complying with the settlement agreement.

Generally, the policies and procedures modify or reiterate existing state regulations. For example, under the agreement, the department is required to provide a dental examination to inmates within 90 days of arriving at an institution from a reception center and provide subsequent examinations annually for inmates over 50 years of age and biennially for inmates under 50. Title 15 of the California Code of Regulations currently requires examinations within 14 days of an inmate's arrival; current requirements for subsequent inmate dental examinations are consistent with the settlement agreement.

Previous Funding for *Perez* Lawsuit Compliance. To date, the Legislature has provided approximately \$143 million General Fund to implement efforts to strengthen the department's dental services and comply with the *Perez* lawsuit.

Governor's Budget. The Governor's budget proposal includes \$2.6 million to support 19 positions and training for CDCR nurses and doctors in recognizing major dental-related issues. The majority of these positions (16 positions) are court ordered and were administratively established in the current year and funded with salary savings. These positions are required to provide leadership for the Inmate Dental Services Program and ensure statewide compliance with the *Perez* stipulated agreement.

The remaining three positions are to establish a Dental Authorization Review committee that verifies the eligibility of outside dental care for inmates. Currently, this review is being done by medical personnel that do not have dental expertise.

Staff Comments. Staff finds that the department is currently implementing a policy that requires that an inmate have a clear dental record before he or she can enter certain programs. For example, a recent article in the San Jose Mercury News indicated that some inmates may be disqualified from entering certain programs that allow mothers and infants to stay together even if the mother has one bad tooth. Staff finds that this policy may unduly restrict the inmate's ability to participate in important rehabilitation programs. Furthermore, staff finds that coordination and case management could help to reduce or all together avoid situations where inmates have to choose between dental care and entering a rehabilitation program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold this issue open.
- Request the department to provide information about its current policies that require clear dental records before they can participate in certain rehabilitation programs.

Other Issues

1. Cell Modifications—Technical Adjustment

Finance Letter. A Finance Letter (dated April 1, 2008) proposes technical adjustments to reduce funding by \$23.1 million in the budget year. These funds were added to the budget for one-time replacement of electromechanical security door operating and locking systems and administrative segregation unit cell modifications required for suicide prevention in the 2007 Budget Act. These funds were inadvertently included in the proposed budget. This proposal would correct this error.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter proposal.

2. Executive Exempt Positions

Background. The CDCR has established several new exempt positions over the past year to provide additional leadership in various areas. The CDCR was criticized by the perceived lack of leadership last year in hearings of this Subcommittee and in discussions related to Chapter 7, Statutes of 2007 (AB 900, Solorio).

Furthermore, pursuant to the Governor's Reorganization Plan 1 of 2005 and Chapter 10, Statutes of 2005 (SB 737, Romero) various departments that had previously reported to the Youth and Adult Correctional Agency were consolidated into the present CDCR. This reorganization has lead to various changes in the organizational chart of CDCR.

Finance Letter. A Finance Letter (dated April 1, 2008) proposes trailer bill language to establish the following exempt positions that require Senate Confirmation:

- Undersecretary of Adult Programs.
- Chief Deputy Secretary for Facility Planning, Construction and Management.
- Chief Deputy Secretary for Correctional Health Care Services.
- Director for Division of Addiction and Recovery Services.
- Director for Correctional Health Care Services.

Staff Comments. Staff finds that the reorganization significantly changed the Board of Corrections by placing the Board (now referred to as the Corrections Standards Authority) under the umbrella of CDCR. Staff finds that generally the CDCR reorganization attempted to make

the state's various corrections-related entities more coordinated so that the state would be better able to develop a more cohesive system of corrections and public safety.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter proposal.
- Approve additional trailer bill language to make the appointment of the Executive Director of the Corrections Standards Authority a position that is confirmed by the State Senate.

3. Prisoner Reentry Initiative – Federal Grant

Background. In September 2006, CDCR was awarded a \$1.8 million grant from the U.S. Department of Justice to provide assessment and planning support for non-violent offenders reintegrating into society as part of the Prisoner Reentry Initiative (PRI) Demonstration Grant Program. The department is currently working with four non-profit agencies in Oakland, Sacramento, Fresno, and San Diego to coordinate these services as required by the grant. This grant is set to expire on June 30, 2008, but because of delays by the federal government the department has applied and received conditional approval to extend this grant until June 30, 2009. The department estimates that it will have expended \$700,000 of this grant by the end of the current fiscal year.

Finance Letter. A Finance Letter (dated April 1, 2008) proposes \$1.4 million in federal funding to continue the PRI grant received in 2006 and to pursue a new PRI grant funded program in Los Angeles County. Specifically, \$1.1 million is for the four projects already underway as part of the PRI grant received in 2006. These funds will support two positions and grant funds for the selected non-profit agencies. The remaining \$300,000 is to support a new PRI grant-funded program in Los Angeles County. These monies will support two positions and provide grant funds to a selected non-profit community organization.

Staff Comments. Staff finds that these PRI programs are being implemented consistent with the department's implementation of the California Logic Model that was discussed at the April 21 Subcommittee hearing.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter proposal.

4. *Armstrong* Lawsuit Compliance

Background. The *Armstrong* lawsuit is a class action lawsuit alleging that CDCR is in violation of the 1990 Americans with Disabilities Act (ADA). It alleged that CDCR and the Board of Parole Hearings (BPH) violated provisions of ADA, Section 504 of the Rehabilitation Act, and the U.S. Constitution. The CDCR was specifically charged with not providing disabled inmates/parolees with equal opportunity to participate in various programs, services, or activities available to non-disabled offenders. The BPH was also charged with not providing disabled

inmates/parolees with reasonable accommodation to access and effectively participate in BPH hearings.

In 1996 the CDCR settled the *Armstrong* case related to access to programs and services for offenders with disabilities and in 1999 the same court found the BPH liable. Another lawsuit dealing with developmentally disabled inmates and parolees called the *Clark* lawsuit was merged into the *Armstrong* lawsuit in 1997. *Armstrong* Remedial Plans were subsequently negotiated with the plaintiffs in the cases and the department has been working to implement the remedial plan since that time.

In May 2006 the plaintiffs filed a motion with the court to enforce compliance alleging that the department had still not implemented the *Armstrong* Remedial Plans and was still in violation of ADA and the U.S. Constitution. Since then the court has issued several orders directing CDCR to come into compliance with the remedial plans.

Previous Funding *Armstrong* Lawsuit Compliance. The state has added a total of \$22.9 million since the 2000-01 fiscal year to address the concerns identified in the *Armstrong* lawsuit and implement the *Armstrong* Remedial Plans.

Current Year Funding. The Governor's budget and a Finance Letter (dated April 1, 2008) requests \$6.4 million General Fund in the current year to comply with the *Armstrong* lawsuit. The proposed current year expenditures are mainly related to information technology upgrades that will provide additional CDCR staff with access to the Disability and Effective Communication System (DECS) computer system that tracks information about inmates with disabilities. The majority of the funding (\$5.5 million) requested in the current year is for the one-time purchase of computer equipment to ensure CDCR staff have access to the DECS system and to implement limited-term projects to gather information about local jail facilities and community facilities to develop an ADA compliant program for disabled parole violators.

Armstrong Funding Request, April Letter Revision

(In Thousands)

	Current Year		Budget Year	
	Pos.	\$	Pos.	\$
Office of Court Compliance. Positions to establish a permanent self-monitoring, oversight and program compliance program. Includes funding to support travel (\$25,000).	0	\$0	3	\$404
Adult Parole Operations. Four parole agents to serve as ADA regional coordinators that will ensure compliance with DECS system and two analyst positions to track information and provide analytical reports necessary to ensure compliance. Funding also includes one-time computer training and ADA/DECS training (\$1.8 million).	0	0	6	2,642

Adult Institutions. Two Correctional Counselors to form multi-disciplinary teams with facility operations to survey county jails and community programs for ADA compliance to develop a program to ensure accommodation of disabled offenders housed in county jails and community programs. Also includes one-time funding for durable medical equipment and appliance bags (\$239,000). Also includes on-going funding for annual ADA training for ADA coordinators at the institutions and a wheelchair maintenance contract (\$160,000).	2	84	2	618
Audit and Compliance. Six positions to provide ongoing funding to conduct audits to improve compliance with ADA and the <i>Armstrong</i> lawsuit.	0	0	6	811
Facilities Management. Two architectural assistant positions to form the other half of the multi-disciplinary teams with adult institutions to survey county jails and community programs for ADA compliance to develop a program to ensure accommodation of disabled offenders housed in county jails and community programs. Also includes ongoing funding for ADA related maintenance and repairs (\$1.9 million) and one-time funding to repair or replace path of travel to comply with ADA (\$3.7 million).	2	94	2	5,764
Transportation. Funding to support the purchase of a new ADA-compliant vehicle and funding for ongoing maintenance.	0	0	0	75
Information Technology. Funding for 18 positions (four limited-term positions) to ensure that all staff have the connectivity needed to operate the DECS information technology system. Also includes one-time funding for computer equipment and software.	18	6,180	18	3,815
Total	22	\$6,358	37	\$14,129

Governor's Budget and Finance Letter. The Governor's budget and a Finance Letter (dated April 1, 2008) proposal requests \$14 million in the budget year to comply with the *Armstrong* lawsuit. The budget year expenditures would support a variety of efforts to help the state to comply with recent court orders and directives made by the *Armstrong* court. These efforts are listed in the table above.

Of the total funding requested in the budget year, \$8.1 million is one-time to support ADA upgrades at the prisons, information technology equipment, and to implement training related to the DECS system.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal and the revisions proposed in the Finance Letter.

5. Lawsuit Compliance – Condemned Inmates

Background. An order issued by the courts in June 2007, referred to as the *Lancaster* order finds that CDCR is in violation of a Consent Decree in the *Thompson* lawsuit that all Grade A condemned inmates be afforded the opportunity to participate in art hobby craft. The order allows CDCR to determine how it will remedy this violation.

Governor's Budget. The Governor's budget proposes \$118,000 to support two positions to coordinate delivering and ordering supplies, picking up completed projects, responding to inmate questions, and supervising inmates assigned to the hobby program and shop. This augmentation will allow for one position for every 90 inmates and will enable one visit per week.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

6. Lead and Mold Management

Background. In September 2007 CDCR identified high levels of lead and mold in dust buildup within several inmate housing units at San Quentin State Prison. The department requested emergency funding to start decontamination of the housing units. This included cleaning and relocating condemned inmate property located on the top floor of the East Block housing unit. The department indicates that because of the age and the deteriorated state of many of its properties it is likely that there are other facilities with lead and mold issues. The department does not currently have a program for assessing these hazards and developing remedies that will reduce unsafe exposure to staff and inmates.

Current Year Funding. A Finance Letter (dated October 30, 2007) requested \$4.8 million in the current year be allocated pursuant to Provision 6 of Item 9840 to remediate high levels of lead and mold found to be present in several inmate housing units at San Quentin State Prison. The majority of this money (\$4.3 million) was for abatement of the situation at San Quentin.

Governor's Budget. The Governor's budget proposal includes \$1.5 million General Fund to support seven positions and support one-time funding for cleaning equipment and an engineering study. Specifically, the department requests the following:

- **San Quentin Issues.** \$933,000 to support two ongoing facility operations positions to provide overall monitoring and general housekeeping to the housing units on a three-year cleaning schedule. The majority of the funding is for one-time cleaning equipment, training in hazardous materials, and an engineering study to determine the best way for cleaning the housing units without impacting the operation of the unit. The funding will also be used to purchase and install a modular unit to relocate condemned inmate property currently housed in an area of the institution that does not meet fire, life, safety requirements.

- **Statewide Program.** \$558,000 to support five ongoing positions to identify environmental hazards and develop appropriate and timely remediation actions to improve organizational effectiveness and provide a safer environment for staff and inmates.

Staff Comments. Staff finds that establishing a statewide program should help the department to be more proactive in identifying and addressing problems before they become major safety problems.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

Other Capital Outlay

1. Statewide Project Planning

Background. The department manages a significant number of facilities. Most of these facilities are old and decaying. This requires constant efforts by the department to ensure that the state's correctional system is maintained and can be fully utilized. Furthermore, Chapter 7, Statutes of 2007 (AB 900, Solorio) was passed last year to authorize the department to construct up to 40,000 new prison beds. Subsequent legislation (Chapter 175, Statutes of 2007 [SB 81, Budget]) required that capital outlay budget packages be submitted to the Legislature for projects funded by AB 900.

Funding to support the advanced planning required to complete capital outlay budget packages was not included in AB 900 or in SB 81. This is especially problematic in the case of the re-entry facilities since the state has not built this type of facility before. While many of these pre-planning activities would be eligible for reimbursement once the lease-revenue bonds were issued, the department did not have sufficient dedicated resources to support the pre-planning work. Therefore, the department, after notification to legislative staff redirected, \$6.5 million of the General Fund appropriated in AB 900 for infrastructure upgrades.

Governor's Budget and Finance Letter. The Governor's budget proposal includes \$3 million General Fund for advanced planning and budget packages for future capital outlay projects. This is \$1 million more than is allocated in the current year for pre-planning activities. The budget also proposes to amend budget bill language to allow these funds to be used to support advanced planning for projects authorized by AB 900.

The Governor's budget also includes proposed trailer bill language to make it clear that the expenditures to prepare pre-planning capital outlay budget proposals for projects authorized by AB 900 should be reimbursable from AB 900 lease-revenue bond funding.

A Finance Letter (dated April 1, 2008) requests \$6 million General Fund for site investigation and real estate due diligence activities required prior to site selection and acquisition of re-entry facility properties. The Finance Letter also includes budget bill language to authorize the

department to enter into agreements for the acquisition of an option to purchase real property with the approval of the State Public Works Board.

LAO Recommendation. The LAO recommends that the Legislature approve the trailer bill language proposed by the Governor to clarify that pre-planning activities required to develop detailed capital outlay budget packages be reimbursable from AB 900 lease-revenue bond financing. The LAO finds that the lack of dedicated funding for this purpose has delayed the development of the infill bed plan.

Staff Comments. Staff finds that the department did not submit regular capital outlay budget packages for the projects approved in AB 900. However, subsequent legislation (SB 81, Budget) requires the department to develop these budget packages thereby allowing for some level of legislative oversight. Staff concurs that the department was not provided with sufficient funding to support the development of capital outlay budget packages for the projects contemplated in AB 900. Staff finds that the small investment in planning and project development could save the state million of dollars that could be wasted on more costly and poorly planned projects.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the \$3 million for advanced planning and budget packages for future capital outlay projects and budget bill language to allow these funds to be used for developing AB 900-funded projects.
- Approve trailer bill language to make it clear that the expenditures to prepare pre-planning capital outlay budget proposals for projects authorized by AB 900 should be reimbursable from AB 900 lease-revenue financing.
- Approve the \$6 million for re-entry due diligence activities and the proposed budget bill language.

2. Solid Cell Fronts

Background. In order to improve the safety of staff, the department started an effort to retrofit old administrative segregation units with open barred cell fronts and cell doors to a solid cell front design. The solid cell front design reduces the opportunity for gassing or spearing attacks by inmates upon staff.

Governor's Budget. The Governor's budget proposal includes funding for an ongoing project to replace the bar construction of cell fronts in the Administrative Segregation Units with solid cell fronts. This modification will also require modifications to the heating/ventilation system and utilities. The budget includes funding for the following conversions:

- **Correctional Training Facility.** The Governor's budget proposal includes \$498,000 General Fund for working drawings to convert 144 cells.

The Legislature appropriated \$405,000 General Fund to support this project in the 2007 Budget Act. The total estimated project cost is \$7 million or \$48,600 per cell to convert these cells.

- **California Medical Facility.** The Governor's budget proposal includes \$6.7 million General Fund for construction costs to convert 132 cells.

The Legislature has appropriated \$759,000 General Fund since the 2005 Budget Act to support planning for this conversion. Construction funds were proposed in the current year, but the project was not started. The total estimated project cost is \$7.4 million or \$56,000 per cell to convert these cells.

Staff Recommendation. Staff recommends that the Subcommittee approve the funding to continue with these conversions.

3. Folsom State Prison – Officers and Guards Building

Background. In 2002, the department completed a \$2.5 million seismic retrofit of the historic Officers and Guards Building at Folsom State Prison. Further modifications are needed to this building before it can be used as office space. The Officer and Guards Building is outside of the secure perimeter of the prison.

Folsom State Prison currently lacks adequate space to accommodate the additional clinical staff hired to meet health care mandates by the federal courts. The department plans to move some of its administrative staff to the newly remodeled historic Officers and Guards Building outside of the secure perimeter, thereby making room for additional clinical staff in the administration building that is within the secure perimeter of the prison.

Governor's Budget and Finance Letter. The Governor's budget proposal includes \$6.3 million General Fund for construction costs associated with converting the historic Officers and Guards Building at Folsom State Prison into office space for prison administrative staff and inmate records personnel. A Finance Letter (dated May 1, 2008) proposes to switch the funding for this project from the General Fund to lease revenue bond financing. The Finance Letter also proposes increasing total construction costs by \$493,000 to reflect higher site work and materials costs.

The Legislature has appropriated \$780,000 General Fund since the 2006 Budget Act to support planning for this remodel. The total estimated project cost is \$7.5 million.

Staff Comments. Staff finds that this project will provide for additional space in the current administration building within the secure perimeter that can be converted to health care space. This should reduce the need to build additional space to meet health care space needs.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget and Finance Letter proposal.

4. Folsom State Prison – Renovate Electrical System

Background. Building #5 at Folsom State Prison was constructed in 1880 and is one of the oldest housing units in the prison system. The housing unit has 322 cells and was wired for electricity approximately 57 years ago. Since the housing unit is stone masonry construction, the wiring is, for the most part, exposed in the cells. The department indicates that the exposed wiring poses a fire, life, and safety risk for the inmates and staff. In addition, the exposed wiring also creates a security issue because inmates are able to easily manipulate the fixtures to create primitive heating equipment. This tampering reduces the reliability of the entire system and over the past three years there have been over 400 work orders to repair the wiring system.

Governor's Budget. The Governor's budget proposal includes \$1.9 million General Fund to support working drawings (\$158,000) and the construction (\$1.7 million) costs to remove and upgrade the current wiring system in Building #5 at Folsom State Prison.

This project has started and stopped many times since 1999. To date, the Legislature has appropriated \$34,000 to support planning efforts for this project. The total estimated project cost is \$1.9 million.

Staff Recommendation. Staff recommends that the Subcommittee approve this request as proposed.

5. Minor Capital Outlay

Governor's Budget. The Governor's budget proposal includes \$7.5 million General Fund. The department has not put forward specific details on the projects to be funded with these monies.

Staff Comments. Staff finds that there are many facility needs in the prison system. However, staff notes that this Subcommittee had considerable concerns last year about the lack of information provided by the department on the projects proposed for funding as minor capital outlay projects. The department has indicated to staff that it is working on proposals and will be providing them to the Legislature soon.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

6. California Rehabilitation Center – Replace Dorms

Background. There are 28 100-bed dorms at the California Rehabilitation Center. These dorms were originally constructed in the 1940s by the Navy as temporary hospital wards. These buildings are wood construction and are seriously deteriorated. For example, the bathroom floors are rotting, the plumbing is worn out, and the buildings contain significant levels of asbestos.

The department has proposed to replace all 28 of these dorms over a number of years with 16 200-bed prototypical emergency bed dorm housing units. This plan would provide the department with 400 additional dorm beds.

Governor's Budget and Finance Letter. The Governor's budget proposes \$15.3 million General Fund to support the construction (\$15 million) of four new 200-bed dorm housing units and the working drawings (\$343,000) to construct three additional 200-bed dorm housing units. A Finance Letter (dated May 1, 2008) proposes to delete the General Fund support for construction of this project and instead switch funding for construction of this project to lease revenue bond financing.

This multi-phase project was started in 1998 and to date the Legislature has appropriated \$9 million to develop preliminary plans for all phases, working drawings for the construction of the first five dorm housing units, and construction of the first 200-bed dorm housing unit. The total estimated project cost is \$67.7 million. This project will augment the department's bed capacity by 400 additional dorm beds.

Staff Comments. Staff finds that these facilities are badly deteriorated and pose health and safety issues for the inmates and staff. These dorm projects are similar to some of the projects proposed for funding under Chapter 7, Statutes of 2007 (AB 900, Solorio). However, they are not being constructed with the programming space and health care space needed to comply with AB 900 and court mandates.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Hold this item open.
- Request that the department report back to the Subcommittee on what programming space would be needed to make this facility compliant with AB 900.

7. Ironwood State Prison – Ventilation System

Background. In the late 1980s and early 1990s the state built four prisons in the remote areas of Imperial County near Blythe and El Centro. Two of these prisons were constructed with an evaporative cooling system that prematurely deteriorated. The department reports that the evaporative cooling systems installed were undersized and were not well adapted to the extreme temperatures in this area of the state. Furthermore, the systems are located on the roofs of the housing units and have leaked and caused extensive damage to the roof and walls of the housing units, which could compromise the structural integrity of the building. Finally, the cooling units are not designed to generate enough air flow, which regularly results in housing unit temperatures in the summer that are well over the CDCR guideline of 92 degrees Fahrenheit.

The CDCR has replaced the evaporative cooling systems with closed looped chilled water heating, ventilation, and air conditioning systems at Chuckawalla Valley State Prison. Ironwood State Prison still has the old evaporative cooling system.

Governor's Budget. The Governor's budget proposal includes \$5.8 million General Fund to support the preliminary plans to replace the existing evaporative cooling system with closed looped chilled water heating, ventilation, and air conditioning systems for all housing units and support buildings at Ironwood State Prison.

The total estimated project cost is \$145 million.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

8. California Men's Colony – Kitchen Replacement

Background. The kitchen at the West facility of the California Men's Colony was constructed in the 1940s using wood construction. Surveys by engineering firms in 1992 and 1995 found significant water damage had compromised the structure because of the wood construction and the years of use. In addition, two surveys conducted in 2006 found moderate to severe mold infestation in the kitchen and the dining areas. To date, some rooms in the kitchen have been sealed off and are no longer in use because of the high concentration of mold. The department also has indicated that over 25 percent of the floor area is severely affected by water damage.

The West facility currently houses 2,800 Level I and Level II inmates. Inmates have been housed in this facility continuously since 1984 without any major modifications to improve the kitchen facility.

Finance Letter. A Finance Letter (dated April 1, 2008) proposes to revert \$10.3 million in lease-revenue bonds allocated in the current year for construction of this project. The letter also requests that \$15.3 million in lease-revenue bonds in the budget year to augment funding for working drawings (\$992,000) and increased construction (\$14.3 million) costs. The department indicates that the additional funding is needed to update the working drawings that were originally completed in 1999 and proceed to construction.

The Legislature has allocated \$789,000 since 1998 for this project, which has been delayed several times. The total estimated project cost is \$16.1 million.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter.

9. Waste Water Treatment Plant Upgrades

Background. Overcrowding at the adult institutions has significantly impacted existing infrastructure systems, most notably, wastewater systems. These systems are often required to operate at or above the maximum intended capacity, resulting in an increased health and safety risk to CDCR staff, inmates, the public, and the environment. Overcrowding the prison sewage and wastewater systems has caused the discharge of waste beyond treatment capacity, resulting in sewage spills and environmental contamination. These spills can contaminate groundwater drinking supplies and place the public's health at risk. Furthermore, the department's wastewater issues have already resulted in multiple fines, penalties, and notices of violation to the CDCR from environmental control agencies (mainly the Regional Water Quality Control Boards).

Current Year Projects. The department has submitted letters to the Joint Legislative Budget Committee in 2007 to fund two Waste Water Treatment Plant (WWTP) projects from the General Fund support allocated in Chapter 7, Statutes of 2007 (AB 900, Solorio). These projects are as follows:

- **California State Prison, Corcoran/Substance Abuse Treatment Facility.** The department requested to allocate \$6.1 million for construction of numerous upgrades to the WWTP that serves both of these prisons.

Lease-revenue bond financing was provided to support this project in the 2007 Budget Act. The Governor vetoed the lease-revenue bond funding because the nature of the project made it difficult to finance with lease-revenue bonds. The veto message directed that the department fund this project out of the General Fund appropriation provided in AB 900 for infrastructure.

This project was started in 2005 and \$554,000 was allocated from the General Fund to plan for this project. The total estimated project cost is \$6.1 million.

- **Centinela State Prison.** The department requested to allocate \$6.5 million for construction of various upgrades to the WWTP at this prison.

Lease-revenue bond financing was provided to support this project in the 2007 Budget Act. The Governor vetoed the lease-revenue bond funding because the nature of the project made it difficult to finance with lease-revenue bonds. The veto message directed that the department fund this project out of the General Fund appropriation provided in AB 900 for infrastructure.

This project was started in 2005 and \$988,000 was allocated from the General Fund to plan for this project. The total estimated project cost is \$7.5 million.

The department also submitted a letter to the Joint Legislative Budget Committee in 2007 to request that \$15.9 million from the General Fund allocation contained in AB 900 be allocated to implementing water conservation devices at 15 institutions. The department estimates that over 25,000 cells would be retrofitted by this effort and would improve water use efficiency and reduce the strain on the department's WWTP infrastructure.

Governor's Budget and Finance Letters. The Governor's budget proposal and Finance Letter (dated April 1, 2008 and May 1, 2008) propose funding for the following Waste Water Treatment Plant (WWTP) upgrades:

- **Chuckawalla Valley State Prison/Ironwood State Prison.** The Governor's budget proposal includes \$23 million General Fund for construction costs to rehabilitate the WWTP that serves both of these prisons. The scope of this project was changed considerably in 2007 to comply with requirements of the Colorado River Basin Regional Water Quality Control Board. The project now entails rehabilitating two trickling filters, paving portions of sludge drying beds, constructing a solid storage pad, and replacing

pumps.

The Finance Letter proposes to increase the amount provided for construction by \$2.3 million. The increased costs reflect a more detailed scope and schedule obtained during the recent completion of preliminary plans.

Funding this project will prevent future violations and the potential issuance of a Cease and Desist Order from the Colorado River Basin Regional Water Quality Control Board. This project was started in 2006 and \$1.7 million has been appropriated by the Legislature in past budgets to plan for this project. The total estimated project cost is \$24.7 million.

- **Mule Creek State Prison.** The Governor's budget proposal includes \$542,000 General Fund to support working drawings to make numerous upgrades to the WWTP at this prison. This project includes constructing a secondary clarifier, a mixed splitter box, a chlorine contact basin, and a disinfected secondary effluent pump station. A Finance Letter (dated April 18, 2008) requests a scope change to this project to add a staff facilities building to the project necessary to provide a hygienic office environment for plant operations staff.

This prison was issued a Notice of Violation by the Regional Water Quality Control Board in September 2006 and a Cease and Desist order in December 2006 outlining various violations. This project was started in 2007 and \$390,000 was allocated for preliminary plans. Total costs for this project are estimated to be \$6.6 million.

- **California Rehabilitation Center.** The Governor's budget proposal includes \$113,000 General Fund for preliminary plans and working drawings to install a bar screen and two chopper pumps in the sewer discharge line at the California Rehabilitation Center.

This prison was issued a Consent Order by the Santa Ana Watershed Project Authority in January 2007 for exceeding discharge limits. The department has already paid over \$350,000 in fees over the last year because of these violations. Total costs for this project are estimated to be \$949,000.

- **California Correctional Institution.** A Finance Letter (dated May 1, 2008) proposes to reappropriate \$19.6 million in lease-revenue bonds for construction costs related to major upgrades of the WWTP at this prison. Funding for this project was first allocated in 1997-98. The department indicates that there have been protracted negotiations with the local water district, which have delayed this project. The department reports that this matter has now been settled and the project is ready to proceed to construction.

Total costs for this project are estimated to be \$29.5 million. Of this total, \$28.3 million is for construction.

- **Wasco State Prison.** A Finance Letter (dated May 1, 2008) proposes to reappropriate \$671,000 General Fund to complete construction of the pre-screening facility at the

WWTP at this prison. This facility will remove large fabric and plastic debris from the wastewater flow before it can get caught in the wastewater pumps. This project is scheduled to be completed in May 2008, but additional expenditure authority is needed in the budget year to complete payments for the project.

This project was started in 2001 and \$1.5 million has been allocated to complete the project. This project was completed with inmate labor.

Water Use Efficiency Important. Staff finds that implementing water use efficiencies can be more cost effective than expanding WWTP facilities. Staff finds that the department has allocated some of the funding provided in AB 900 to implement water conservation devices. However, given the overall magnitude of the overcrowding at some of these institutions, staff finds that water use efficiency will not meet all of the needs of the department. Nevertheless, staff finds that the department should have a policy of pursuing all water use efficiency options before taking efforts to greatly expand an institution's WWTP.

Staff Recommendations. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposals and Finance Letter proposals.
- Approve supplemental report language that directs the department to develop and put forward options for improving its water use efficiency as an addendum to its 2009 Master Plan.

10. Sierra Conservation Center - Water Supply Treatment Plant

Background. The Sierra Conservation Center is located in the Sierra Nevada foothills near the town of Sonora. The center pre-treats raw water from Lake Tulloch for all uses at the center, including drinking, showering, toilets, and kitchen uses. The current system is inadequate when water turbidity is high and does not meet Department of Health Services primary drinking water standards.

Governor's Budget. The Governor's budget proposal requests \$2.6 million General Fund to support construction of a filtration structure for the water supply treatment plant at the Sierra Conservation Center.

This project was started in 2006 and \$313,000 has been allocated to plan for this project. The total costs for this project are estimated to be \$2.9 million.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

11. California Rehabilitation Center – Potable Water System Improvements

Background. The facility now called the California Rehabilitation Center was originally constructed in 1928 and was later used as a temporary Naval hospital during World War II and

the Korean War. It was converted to the California Rehabilitation Center in the 1980s. Given the age of the facility its potable water delivery system for this facility has deteriorated.

Finance Letter. A Finance Letter (dated May 1, 2008) proposes reversion of \$1.7 million General Fund that is no longer needed to support a new connection to the City of Norco's water system. The department started to plan for this transition in 2001. However, the connection was delayed pending negotiations with the City of Norco regarding water connection fees to the city water system. The City has recently agreed to provide water connection at no charge to the department, in part because the department funds the city water system.

This project was started in 2001 and \$228,000 has been allocated and expended to plan for this project.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter proposal.

Coleman Ordered Mental Health Capital Outlay

Background. The Special Master and the court overseeing the settlement of the *Coleman* lawsuit have taken a multi-pronged effort to improve mental health care facilities within the department. The court has pursued interim and temporary measures to improve mental health care facilities in the short-term. Many of these short-term efforts have already been implemented or are currently being constructed.

However, the department has also been working on a long-term Mental Health Bed Plan that will provide a plan for permanent mental health bed capacity that will provide various levels of care. The court adopted the August 2007 version of the department's bed plan in October 2007. This plan expects the following permanent mental health bed capacity to meet the projected mental health population for June 2011:

Expected Permanent Mental Health Bed Capacity by Type of Bed	Number of Beds		
	Female	Male	Total
Enhanced Outpatient Program - Long-term beds for EOP inmates that require significant services to function well.	297	4,552	4,849
Mental Health Crisis Beds - Short-term licensed beds for inmates in mental health crisis that need intensive 24-hour care. Length of stay not to exceed 10 days generally.	25	347	372
Acute - Short-term licensed beds for inmates that require 24-hour mental health treatment to prevent danger to themselves and others. The average length of stay at this level is two to three months.	42	240	282
Intermediate Care Facility - Longer-term licensed beds for inmates that need intensive mental health care services. Length of stay not to exceed nine months.		314	314
Intermediate Care Facility - High Custody - Same as above, but for high custody inmates.		312	312
Administrative Segregation Unit - Housing units for temporary segregation of EOP inmates that are pending investigations, evaluation, and/or disciplinary action. Similar to regular ASU, but with space to deliver treatment services.	24	752	776
Psychiatric Services Unit - Housing units for EOP inmates that have been found guilty of an offense committed in the institution, or have been deemed to be a threat to the safety of others or the security of the institution. Similar to Security Housing Units (SHU), but with space to deliver treatment services.	20	576	596
Total	408	7,093	7,501

The department currently operates some mental health beds that it will continue to operate under this plan. The department also plans to vacate 1,552 existing mental health beds that can be converted to other uses. However, in order to meet the requirements of this bed plan, the department will also need to construct new mental health facilities with the following beds:

New Mental Health Beds to Be Constructed by Type of Bed	Number of Beds		
	Female	Male	Total
Enhanced Outpatient Program	168	2,532	2,700
Mental Health Crisis Beds	3	110	113
Acute	17	90	107
Intermediate Care Facility		230	230
Intermediate Care Facility - High Custody		120	120
Administrative Segregation Unit	15	453	468
Psychiatric Services Unit		256	256
Total	203	3,791	3,994

Consolidated Care Centers. In December 2007 the judges in the *Plata*, *Coleman*, *Perez*, and *Armstrong* lawsuits approved an agreement to coordinate compliance efforts required in each of these lawsuits. The Receiver appointed in the *Plata* case has been designated as the lead in developing and overseeing the implementation of a construction plan that will satisfy the four lawsuits. At the April 14 meeting of this Subcommittee, we heard testimony from the Receiver on his plans to construct up to 10,000 infill beds to satisfy the housing needs of the inmate patient classes represented in the four lawsuits. These beds would be constructed in consolidated care centers at seven different locations located adjacent to urban centers.

This plan contains up to 5,000 beds for patients with mental health conditions, including:

- **Enhanced Outpatient Program – Regular.** 68 percent or 3,400 open dorm beds for enhanced outpatient program inmate-patients.
- **Enhanced Outpatient Program – High Custody.** 18 percent or 900 beds for high-custody enhanced outpatient program inmate-patients.
- **Other Crisis-Type Beds.** 14 percent or 700 other beds that will be a mix of mental health crisis beds, acute beds, an intermediate care facility, and a high custody intermediate care facility.

The plan presented to the Subcommittee on April 14 appears to differ from the plan contained in the Mental Health Bed Plan adopted by the *Coleman* court in October 2007.

Bed Construction Projects Ordered Before Approved Bed Plan. In addition to the beds in the approved Mental Health Bed Plan, the department is also pursuing additional projects that would add additional bed capacity that were directed by separate orders by the *Coleman* court. However, the department has indicated that there still may be some changes to these projects. These projects include:

- 20-bed Psychiatric Services Unit at the **California Institution for Women** – in the planning stage, funding for working drawings proposed in budget.
- 45-bed Acute/Intermediate Care Facility at the **California Institution for Women** – department will pursue this project with \$62 million in AB 900 medical/mental health bed bond funding; the Legislature has not received notification of this project.
- 50 Mental Health Crisis Beds at **California Men's Colony** – department will pursue this project with \$59 million in AB 900 medical/mental health bed bond funding; the Legislature has not received notification of this project.
- 50 Mental Health Crisis Beds at the **California Medical Facility** – construction for this project is complete.
- 64-bed Intermediate Care Facility at the **California Medical Facility** – department will pursue this project with \$55 million in AB 900 medical/mental health bed bond funding; the Legislature has not received notification of this project.
- Program space to support 150-bed Enhanced Outpatient Program Unit at **California State Prison, Los Angeles County** – department will pursue this project with \$11 million in AB 900 medical/mental health bed bond funding; the Legislature has not received notification of this project.
- 64-bed Intermediate Care Facility at **Salinas Valley State Prison** – construction has started on this facility.
- 70-bed Enhanced Outpatient Program Administrative Segregation Unit at **Salinas Valley State Prison** – department will pursue this project with \$52 million in AB 900 medical/mental health bed bond funding; the Legislature has not received notification of this project.

The department estimates that the projects listed above will use \$240 million of the \$857 million included in AB 900 for medical and mental health beds. The Legislature also allocated \$146 million of this funding to support the Receiver's San Quentin project in the current year.

A court order issued in February 2008 by the *Coleman* court confirmed that the coordinated construction agreement for the long-term projects did not relieve the state of their obligation to comply with prior court orders to construct the projects listed above.

Other Capital Outlay Projects. The department is also pursuing several other capital outlay projects to comply with the *Coleman* court. These projects range from renovating administrative segregation unit intake cells to adding additional program and office space to support the mental health programs required under the *Coleman* lawsuit. These projects were funded as minor capital outlay projects, special repair projects, or through prior budget requests and they are all listed in a report in the department's master plan. This report was required by supplemental report language added by the Legislature in 2007 that required a comprehensive listing of all physical plant modifications completed and planned to comply with the *Coleman* lawsuit.

1. California Institution for Women

Governor's Budget and Finance Letter. The Governor's budget and a Finance Letter (dated April 1, 2008) requests funding to convert the east wing of the Women Support Care Unit at the

California Institution for Women to a 20-bed Psychiatric Services Unit (PSU). The Governor's budget proposal includes \$601,000 General Fund for working drawings to build this new unit. The Finance Letter requests an additional \$64,000 for preliminary plans and \$82,000 for working drawings to complete the planning for this project. The increased costs are a result of adding additional office and treatment space to the project scope for staff to support the PSU.

The Legislature appropriated \$423,000 General Fund to support this project in the 2007 Budget Act. The total estimated project cost is \$7 million or \$350,000 per bed to convert these beds. This project was court-ordered in March 2007 by the *Coleman* court.

Staff Comments. Staff finds that this project has been specifically ordered by the court. The LAO finds that the department has decided to pursue a project that renovates existing beds, thereby reducing capacity. The LAO notes that one of the alternative projects would add additional capacity and would only be marginally more expensive. The LAO finds that it may be more cost-effective to spend more on the margin to increase bed capacity as opposed to reducing capacity as proposed in the budget.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.

2. Salinas Valley State Prison

Finance Letter. A Finance Letter (dated April 1, 2008) proposed funding to support two *Coleman*-related projects at the Salinas Valley State Prison. These projects include the following:

- **Treatment and Office Space to Support 180-Bed Enhanced Outpatient Program.** The Finance Letter includes \$1.7 million General Fund to support preliminary planning efforts to add additional treatment and office space to convert an EOP administrative segregation unit to a 180-bed general population EOP unit. This EOP housing unit is part of the court-approved bed plan and requires additional treatment space and office space to support the level of care required by the *Coleman* court. The EOP administrative segregation inmates currently in this facility will be transferred to a new 70-bed EOP administrative segregation facility that is being completed as part of the approved mental health bed plan.

The total estimated project cost is \$21.8 million to support the treatment and office space needed to support these beds.

- **Intermediate Care Facility Treatment Space.** The Finance letter includes \$399,000 General Fund to support preliminary plans and working drawings to convert existing unused dining room space into group therapy space to support the 128-bed Intermediate Care Facility at the prison. This ICF housing unit is part of the court-approved bed plan and requires additional treatment space and office space to support the level of care required by the *Coleman* court.

The total estimated project cost is \$1.9 million to add the additional treatment and office space needed to support these beds.

Staff Comments. Staff finds that these projects are renovation projects and cannot be funded with lease-revenue bonds. Staff finds that additional treatment space is needed for these units to comply with the *Coleman* lawsuit.

Staff Recommendation. Staff recommends that the Subcommittee approve these Finance Letter proposals.

3. California State Prison, Sacramento

Finance Letter. A Finance Letter (dated April 1, 2008) proposed \$1.2 million General Fund to support preliminary plans to convert unused warehouse space to program, treatment, and office space to support an existing 192-bed EOP housing unit at the California State Prison, Sacramento. This housing unit is part of the court-approved bed plan and requires additional treatment space and office space to support the level of care required by the *Coleman* court.

The total estimated project cost is \$15.1 million to renovate the existing warehouse space to provide additional treatment and office space needed to support these beds.

Staff Comments. Staff finds that these projects are renovation projects and cannot be funded with lease-revenue bonds. Staff finds that additional treatment space is needed for these units to comply with the *Coleman* lawsuit.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter proposal.

Perez Related Dental Care Capital Outlay

Background. In December 2005, the department entered into a Stipulated Agreement to settle the *Perez v. Hickman* lawsuit claiming inadequate dental care in state prisons. This Agreement lowered the ratio of inmates to dentists from 950 inmates to one dentist to 515 inmates to one dentist. Additional treatment space is needed to accommodate this higher level of staffing.

The 2006 Budget Act included \$1.7 million General Fund to the department to develop capital outlay plans to add additional dental treatment and office space to implement the *Perez* settlement. In 2007 the Legislature denied \$15.1 million General Fund to support preliminary plans for dental and office space at the following seven prisons:

- Avenal State Prison
- Calipatria State Prison
- Centinela State Prison
- Chuckawalla Valley State Prison
- Ironwood State Prison
- Kern Valley State Prison
- Folsom State Prison

These are the first seven institutions where the new lower inmate to dentist ratio is being implemented. The total cost of these projects is estimated to be \$285 million and the department's master plan suggests that these projects will be funded out of lease-revenue bond financing authorized by Chapter 7, Statutes of 2007 (AB 900, Solorio).

Coordination Update. Last year the Legislature rejected funding for these dental facilities and added budget bill language to request that the department coordinate its dental facilities planning with the Receiver. Since then, a new Receiver has been appointed and additional details have come forth on the Receiver's facility plans. The Receiver is coordinating construction of 10,000 specialized-care beds at seven different institutions. Each of these centers will be constructed to comply with the *Perez* lawsuit. The Receiver is also planning to upgrade medical facilities at all 33 prisons. However, the Receiver is not planning to make the facility upgrades required by the *Perez* lawsuit at each of the 33 prisons. The department indicates that it is pursuing this upgrade project and will be funding this project with the AB 900 allocation of lease-revenue bonds for medical and mental health beds.

San Quentin Condemned Inmate Complex

Background. The 2003-04 Budget Act authorized \$220 million in lease-revenue bonds for the design and construction of a new Condemned Inmate Complex for condemned male inmates at California State Prison, San Quentin. The original project was designed to provide 1,408 beds which were projected to meet the department's condemned inmate population needs through 2037.

However, because of increased costs related to this project, cost containment measures were taken in September 2005 to: (1) eliminate one housing unit, thereby reducing the number of beds by 18 percent; and (2) change the project scope for warehouse and maintenance support space from the construction of freestanding buildings to the conversion of existing dormitory buildings. Even with these cost containment measures, it was recognized that the project had a 6 percent budget deficiency in September 2005. The preliminary plans for this project were approved by the Public Works Board in November 2005.

There are currently 669 condemned inmates at San Quentin. The capacity of the current condemned housing is 634 beds. The new Condemned Inmate Complex would provide 1,152 beds.

Governor's Budget. The Governor's budget proposal includes \$136 million in lease-revenue bonds to address additional funding needed to complete construction of the Condemned Inmate Complex at California State Prison, San Quentin.

The total estimated project cost to construct the condemned inmate complex is \$356 million or \$309,000 per bed.

LAO Finds Project Costs High. The LAO finds that the costs for this project will be nearly triple the costs of comparable housing units constructed at Kern Valley State Prison in 2005. The LAO finds that even after adjusting for higher labor and material costs there are considerable unexplained costs. The LAO notes that other special factors, such as the multi-level design of the project and soil instability may also be contributing to the increased costs. Nevertheless, even after adjusting for these factors, the LAO cannot account for the increased costs.

Environmental Impact Report Caps Population at San Quentin. The department had indicated to the LAO last year that, as part of the Environmental Impact Report that was developed for the Condemned Inmate Complex, the state had agreed to a population cap of 6,558 on the number of inmates that could be housed at San Quentin. The LAO finds that this limit may prevent the department from using all of the cells being vacated with the relocation of the condemned inmate population to a new Condemned Inmate Complex. The LAO estimates that with the new Condemned Inmate Complex San Quentin has a maximum potential capacity of 7,100 inmates.

LAO Recommendation. In the past, the LAO has recommended canceling the Condemned Inmate Complex project at San Quentin and use the remaining funding authorized to build additional prison capacity for condemned and maximum-security inmates at a lower cost per bed elsewhere. This could include: (1) building a new condemned inmate complex at an existing prison or at a new site, or (2) constructing new Level IV capacity and moving condemned inmates to Level IV housing at an existing prison. The LAO indicates that some states house condemned inmates with other Level IV population in a single facility and suggests that this could also be an option.

This year the LAO withholds recommendation on the project until questions about the costs of the project and the impacts of the possible inmate population limits are resolved. The LAO recommends that the department retain an independent outside expert to assess the department's cost estimates for this project. This is similar to the recommendation the LAO made with regard to the infill bed projects authorized by Chapter 7, Statutes of 2007 (AB 900, Solorio).

The LAO also recommends that the department report on the following: (1) the maximum capacity of San Quentin now, including potential overcrowding of the facility; (2) the maximum potential capacity of San Quentin, including potential overcrowding of the facility, if the Condemned Inmate Complex is completed; (3) any specific limits on the inmate population at San Quentin to which the state has agreed as a result of the environmental review process for the Condemned Inmate Complex; (4) the department's rationale for building the Condemned Inmate Complex at San Quentin if in fact that means other existing space at the prison could not be used to hold inmates in the future.

Staff Comments. Staff finds that there was considerable debate regarding moving the Condemned Inmate Complex to an alternative site in 2003 when the project was authorized. A drawback that surfaced during this debate was that moving the condemned population to a remote prison facility would make it more difficult for specialized legal representation to have access to the condemned inmate population. State law allows for automatic appeals and habeas corpus appeals for all condemned inmates.

Furthermore, there would likely be local community opposition to moving the condemned inmate population to any other location in the state.

Staff finds that the Bureau of State Audits was directed in 2007 to conduct an audit of alternatives sites for the condemned inmate complex. This audit is expected to be completed by May 2008.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open.